



**Director of
Central
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***Thursday
3 September 1981***

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CIA LATE ITEM

EGYPT: Sadat Cracks Down on Opponents

The government announced the arrest this morning of Christian and Islamic opposition leaders, and security forces have been placed on alert. President Sadat will make a public statement concerning the arrests on Saturday when he addresses the People's Assembly. He also will announce legislation curtailing activities of leftists and Islamic fundamentalists.

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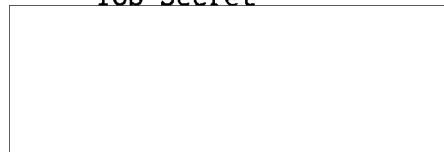
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25X1

3 September 1981

Top Secret



Contents

Lebanon-Syria: <i>Conciliation Talks in Jeopardy</i>	1
NATO: <i>Socialist Conference on Security Issues</i>	2
Costa Rica: <i>Erratic Actions by Carazo</i>	3
Portugal: <i>New Cabinet</i>	4
USSR-Angola: <i>Visit by Soviet Warships</i>	5
USSR-Poland: <i>Soviet Criticism</i>	5
Libya: <i>Qadhafi's Speech</i>	6



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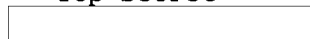
Sierra Leone: <i>General Strike</i>	7
Jamaica: <i>Drop in Government's Popularity</i>	7



25X1



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3 September 1981

25X1

25X1

Top Secret

25X1

LEBANON-SYRIA: Conciliation Talks in Jeopardy

The Arab Conciliation Committee on Lebanon will begin a series of meetings today in Beirut at the foreign ministerial level, but Syria's hardening attitude toward the issue of Phalange ties with Israel threatens to derail the talks. [redacted]

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The Syrians and their Lebanese allies have denounced as insufficient Phalange militia chief Bashir Jumayyil's statement to the Committee last July rejecting ties with Israel. They are demanding a more specific and formal declaration from the Phalange-dominated Lebanese Front, as well as the monitoring of Phalange-controlled ports, before talks on national reconciliation can begin. For the first time the Syrians yesterday publicly charged the Phalange with receiving new arms from Israel since the July statement. [redacted]

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The Phalange is unlikely to comply with the Syrian demands, although it may make some conciliatory gestures to avoid bearing the onus of having scuttled the Committee's efforts. Lebanese Front leader Shamun issued a statement yesterday emphasizing the Front's "approval" for the Phalange declaration and reiterating the Front's desire to work closely with the Committee. [redacted]

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The Kuwaiti and Saudi Foreign Ministers were to arrive in Damascus yesterday on their way to Beirut to persuade the Syrians to ease their position, but they are unlikely to have much success. There is a growing danger that the key parties, particularly the Saudis, will decide to suspend the Committee's efforts if the Syrians remain uncompromising in the Beirut talks. [redacted]

-CIA, DIA, NSA-

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25X1

3 September 1981

Top Secret

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NATO: Socialist Conference on Security Issues

At the meeting in Copenhagen last weekend, Socialist and Social Democratic party officials from the Benelux countries, Norway, and Denmark reasserted their "special responsibility" for helping avoid an East-West arms race and continued to give highest priority to TNF arms control. [redacted]

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At the press conference following the meeting, the chairman expressed more openly than before the group's desire to put pressure on the US to be flexible about arms control. The parties' immediate hope is that the US and the USSR will reach an agreement on TNF providing for minimal deployments or, preferably, none at all.

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The unanimously critical attitude toward the US decision to produce the enhanced radiation warhead contributed to the consensus of the group, which at its last meeting had showed greater signs of disagreement over arms control tactics. The participants declared that production of the warhead should cease and that Western Europe should refuse to deploy the weapons if asked to do so. They particularly criticized the timing of the US decision as hindering prospects for successful TNF arms control negotiations.

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The chairman challenged the Soviets to be more explicit about their views on a possible Nordic nuclear-weapons-free zone. This will cause anxiety among some of the larger NATO members, who believe that it is dangerous to invite the Soviets to take the initiative in this area.

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Although the small-state socialist meetings concentrate on European security issues, the parties occasionally discuss Third World questions on which they differ with the US. They criticized US policy in El Salvador at an earlier meeting. At Copenhagen they condemned South Africa's move into Angola and expressed support for independence for Namibia.

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25X1

3 September 1981

Top Secret

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COSTA RICA: Erratic Actions by Carazo

The increasingly erratic actions of President Carazo are forcing political leaders in San Jose to consider removing him under the provisions of the constitution, although a consensus remains that he be allowed to finish his term if at all possible.

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There is growing concern about Carazo's mental health. The President's overreaction to US policy statements on military assistance and the neutron bomb have particularly upset local politicians because Costa Rica is near bankruptcy and is looking to the US and other Western nations for financial help.

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The unwarranted ouster of the local IMF representative a few weeks ago heightened doubts about the administration's ability to cope with the deteriorating economy. Costa Ricans increasingly fear that continued mismanagement will make the country more vulnerable to subversive efforts by the radical left. This apprehension has been increased by well-publicized investigations of local terrorist activities.

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Scrutiny of Carazo will intensify in coming weeks, particularly with the likelihood that the IMF will delay disbursement of a \$22 million payment by at least two months because of San Jose's difficulty in complying with economic performance criteria. Without the IMF credit, which was initially slated for mid-August, Costa Rica's foreign exchange deficit would reach about \$80 million by the end of September.

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Some Communist labor unions have called for a general protest strike to begin tomorrow. Although recent strike efforts by both democratic and Communist labor have failed, growing frustrations could eventually overcome the public's reluctance to put additional stresses on the struggling administration.

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Political leaders share this reluctance, fearing the potentially disruptive effect of an effort to remove Carazo and hoping that a return to more moderate actions will allow him to remain in office at least until the elections in February. The President's decision to travel to East Asia for 10 days in October--a critical time in Costa Rica's economic crisis--will not be reassuring.

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3 September 1981

Top Secret

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PORTUGAL: New Cabinet

Prime Minister Balsemao has nominated a strong cabinet, but it will face the same political and economic problems that brought down the last government. [redacted]

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Balsemao appears to have drawn his critics in the ruling Democratic Alliance into the government. It is not clear, however, whether Freitas do Amaral, leader of the coalition partner Center Democrats, and others set stiff conditions before agreeing to serve. [redacted]

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Several members of the new cabinet retain serious misgivings about Balsemao's leadership abilities, and he continues to lack solid support. Balsemao's opponents within his Social Democratic Party could challenge him at the party congress later this year. They were unable to field an acceptable alternative last month, however, and the presence of Freitas do Amaral may signal a realization that further squabbling could endanger the Democratic Alliance. [redacted]

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Despite fiscal austerity measures likely to be imposed by the government, rising inflation and higher trade and current account deficits will add to political tensions. Relations with the US are unlikely to be affected, but foreign policy under Foreign Minister Goncalves Pereira may occasionally seem erratic. [redacted]

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25X1

3 September 1981



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USSR-ANGOLA: Visit by Soviet Warships

Satellite imagery of Tuesday shows a Soviet guided-missile destroyer and a guided-missile frigate at Mocamedes in southern Angola. This is the first visit by Soviet warships to this port, although it is used for unloading military materiel. A Soviet guided-missile cruiser has arrived farther north at Luanda. The warships' presence provides a Soviet show of support for the Angolans in light of the South African incursion. The two ships at Mocamedes moved there from Luanda; the cruiser sailed from Conakry, Guinea.

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USSR-POLAND: Soviet Criticism

Moscow moved quickly to express its unhappiness over the Polish Government's willingness to allow Solidarity leaders to appear on television on Tuesday. TASS yesterday accused "some leaders" of Solidarity of using the occasion to attack measures taken by the government to end the country's crisis. Moscow avoided personal attacks on Walesa, as usual.

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In addition, TASS criticized the leader of the Warsaw branch of Solidarity for making "crude attacks" on the USSR and other "socialist" countries at a separate meeting. The criticism reemphasizes Soviet opposition to granting Solidarity access to the media and warns Solidarity leaders that their statements at the coming party congress will bring a quick rebuttal if they clash with Moscow's views.

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3 September 1981

25X1

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LIBYA: Qadhafi's Speech

Libyan leader Qadhafi, in his speech on Tuesday marking the 12th anniversary of his accession to power, intimated that he is considering a closer relationship with the USSR. Qadhafi took the line that despite repeated efforts on the part of his government to mend relations with the US, Washington has shown continued hostility toward Libya. He argued that the incident in the Gulf of Sidra was a violation of Libyan territory and another phase in the US "crusade" against the Arab world. The Libyan leader claimed the US only dared to attack Libya because of its previous policy of "positive neutrality." Qadhafi's suggestion that Libya will have to rethink that policy is a clear warning that he is considering granting the USSR increased military privileges or perhaps a friendship treaty.

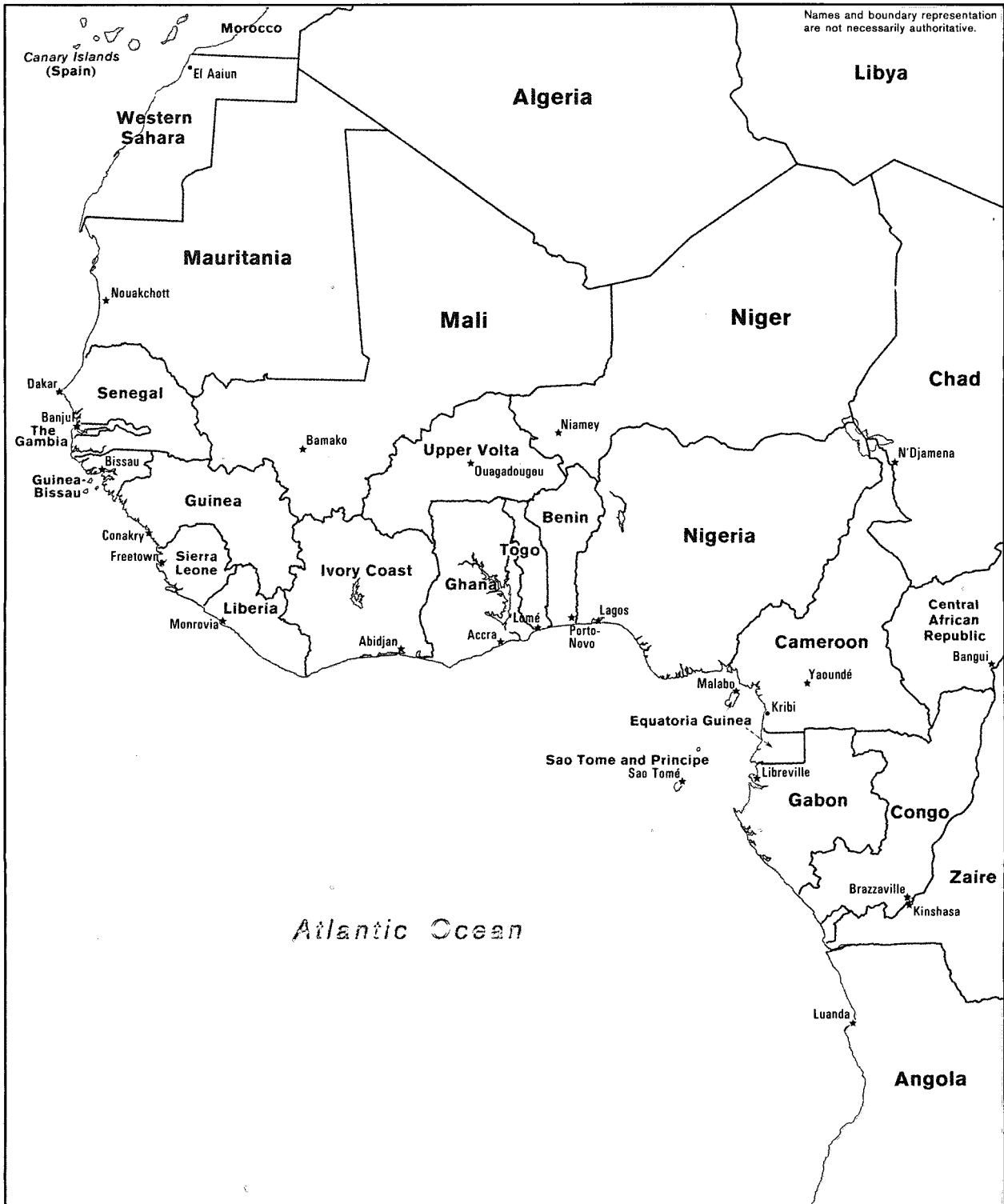
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3 September 1981



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SIERRA LEONE: General Strike

A general strike that began on Monday over food prices and other economic issues has virtually shut down the capital of Freetown, and several incidents of violence have been reported. The government has declared a state of emergency, and some labor leaders evidently have been arrested. The strike poses the most serious challenge to the government of President Stevens since students rioted in 1977 over similar issues. Stevens's financially strapped government lacks the resources to meet the strikers' demands, and it may not be able to suppress the strike by force. If the disturbances spread, junior military personnel who have long been disgruntled over economic conditions may organize a coup. []

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JAMAICA: Drop in Government's Popularity

A recent opinion poll shows that public support for the government of President Seaga has declined substantially since May, although the ruling Jamaica Labor Party still could easily win an election if one were held now. The shift reflects a decline in the high expectations that followed Seaga's victory and a growing pessimism about the country's prospects in the near future. The party leadership seems to have expected the drop in popularity and probably will try to maintain support by increasing its public relations efforts. Without better economic news, however, such efforts are unlikely to prevent a further loss of support. []

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3 September 1981

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